

**PURPOSE & SCOPE:**

An income tax credit is available for voluntary cash contributions to a “qualifying charitable organization” (QCO) or a “qualifying foster care charitable organization” (QFCCO). The tax credit may be carried forward for five (5) years. The aggregate amount of the credits that may be awarded shall not exceed one million dollars (\$1,000,000). The credit allowed is in lieu of charitable deductions pursuant to Section 170 of the Internal Revenue Code and taken for state tax purposes. This technical bulletin applies to any credits earned on or after January 1, 2021.

**REFERENCES:**

*Miss. Code Ann. Section 27-7-22.39*

**OVERVIEW:**

An income tax credit is available for voluntary cash contributions from individuals made to a QCO. The amount of the credit is limited to the lesser of four hundred dollars (\$400) or the amount of the contribution in any taxable year for a single individual or a head of household or the lesser of eight hundred dollars (\$800) or the amount of the contribution in any taxable year for a married couple filing a joint return.

A separate credit is available for voluntary cash contributions during the taxable year made to a QFCCO. The amount of the credit is limited to the lesser of five hundred dollars (\$500) or the amount of the contribution in any taxable year for a single individual or a head of household or the lesser of one thousand dollars (\$1,000) or the amount of the contribution in any taxable year for a married couple filing a joint return.

A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half (1/2) of the tax credit that would have been allowed for a joint return. If the allowable tax credit exceeds the taxes due on the taxpayer’s income, or if there are no taxes due, the taxpayer may carry forward the amount of the credit not used for five (5) years.

**Qualifying Charitable Organizations**

A QCO means a charitable organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code or is a designated community action agency that receives community services block grant program monies pursuant to 42 USC 9901. The organization must spend at least fifty percent (50%) of its budget on services to residents of this state who receive temporary assistance for needy families benefits or low-income residents of this state and their households or to children who have a chronic illness or physical, intellectual,

developmental or emotional disability who are residents of this state. “Low-income residents” are persons whose household income is less than one hundred fifty percent (150%) of the federal poverty level. “Services” means (1) cash assistance, medical care, child care, food, clothing, shelter, and job-placement services or any other assistance that is reasonably necessary to meet immediate basic needs and that is provided and used in this state; (2) job-training or education services or funding for parents, foster parents or guardians; or (3) job-training or education services or funding provided as part of a foster care independent living program.

A charitable organization that meets all other requirements but does not spend at least fifty percent (50%) of its overall budget in Mississippi may still qualify as a QCO. The charitable organization may still qualify if it spends at least fifty percent (50%) of its Mississippi budget on services to qualified individuals in Mississippi and it certifies to the MDOR that one hundred percent (100%) of the voluntary cash contributions from the taxpayer will be spent on services to qualified individuals in Mississippi.

Taxpayers choosing to make donations through an umbrella charitable organization that collects donations on behalf of member charities must designate that the donation be directed to a member charitable organization that would qualify under this section on a stand-alone basis. A QCO does not include any entity that provides, pays for or provides coverage of abortions or that financially supports any other entity that provides, pays for or provides coverage of abortions.

### **How To Qualify As A QCO**

1. Contact information including phone number, email address, mailing address, and physical location if different.
2. A statement that the organization meets all criteria to be considered a QCO signed by an officer of the organization under penalties of perjury.
3. A copy of the exemption letter from the IRS verifying the organization qualifies under Section 501(c)(3) of the Internal Revenue Code or verification that the organization is a designated community action agency under 42 USC 9901.
4. An operating budget for the prior year.
5. A list of services provided by the organization.
6. A detailed schedule of total expenses for the prior year with a breakout of amounts expended on services to residents of this state who:
  - a. Receive temporary assistance for needy families benefits,
  - b. Are low-income residents of this state, and/or
  - c. Are children who have a chronic illness or physical, intellectual, developmental or emotional disability.
7. The total number of individuals who received services from the organization in the prior year.
8. The total number of Mississippi residents who received services in the prior year and meet the criteria in number 6 above.
9. Copy of prior years’ Federal income tax return.
10. Copy of prior years’ financial statements.
11. A statement that the organization plans to continue spending at least fifty percent (50%) of its budget on services to individuals who meet the criteria in number 6 above.
12. Charitable organizations that do not spend at least fifty percent (50%) of their overall budget in Mississippi may still qualify if they meet all other requirements for a QCO. These

organizations must submit a statement that they spend at least fifty percent (50%) of their Mississippi budget on services to qualified individuals in Mississippi and that one hundred percent (100%) of the voluntary cash contributions they receive from Mississippi taxpayers will be spent on services to qualified individuals in Mississippi.

13. A statement that the organization does not provide, pay for or provide coverage of abortions and does not financially support any other entity that provides, pays for or provides coverage of abortions.

### **Qualifying Foster Care Charitable Organization**

A QFCCO means a qualifying charitable organization that each year provides services to at least one hundred (100) qualified individuals in this state and spends at least fifty percent (50%) of its budget on services to qualified individuals in this state. A "qualified individual" means a child in a foster care placement program established by the Department of Child Protection Services, a child placed under the Safe Families for Children model, or a child at significant risk of entering a foster care placement program established by the Department of Child Protection Services.

A charitable organization that meets all other requirements but does not spend at least fifty percent (50%) of its overall budget in Mississippi may still qualify as a QFCCO. The charitable organization may still qualify if it spends at least fifty percent (50%) of its Mississippi budget on services to qualified individuals in Mississippi and it certifies to the MDOR that one hundred percent (100%) of the voluntary cash contributions from the taxpayer will be spent on services to qualified individuals in Mississippi.

### **How To Qualify As A QFCCO**

To be considered as a QCO or a QFCCO, the organization must submit a letter ruling request including the following:

1. Contact information including phone number, email address, mailing address, and physical location if different.
2. A statement that the organization meets all criteria to be considered a QFCCO signed by an officer of the organization under penalties of perjury.
3. A copy of the exemption letter from the IRS verifying the organization qualifies under Section 501(c)(3) of the Internal Revenue Code or verification that the organization is a designated community action agency under 42 USC 9901.
4. An operating budget for the prior year.
5. A list of services provided by the organization.
6. A detailed schedule of total expenses for the prior year with a breakout of amounts expended on services to qualified individuals in Mississippi(QFCCO) who:
  - a. Are children in a foster care placement program established by the Department of Child Protection Services,
  - b. Are children placed under the Safe Families for Children model, and/or
  - c. Are children at significant risk of entering a foster care placement program established by the Department of Child Protection Services.
7. The total number of individuals who received services from the organization in the prior year.
8. The total number of qualified individuals who received services in the prior year and meet the criteria in number 6 above.
9. Copy of prior years' Federal income tax return.
10. Copy of prior years' financial statements.

11. A statement that the organization plans to continue spending at least fifty percent (50%) of its budget on services to individuals who meet the criteria in number 6 above.
12. Charitable organizations that do not spend at least fifty percent (50%) of their overall budget in Mississippi may still qualify if they meet all other requirements for a QFCCO. These organizations must submit a statement that they spend at least fifty percent (50%) of their Mississippi budget on services to qualified individuals in Mississippi and that one hundred percent (100%) of the voluntary cash contributions they receive from Mississippi taxpayers will be spent on services to qualified individuals in Mississippi.
13. A statement that each operating year it provides services to at least one hundred (100) qualified individuals in this state.
14. A statement that the organization does not provide, pay for or provide coverage of abortions and does not financially support any other entity that provides, pays for or provides coverage of abortions.

A letter acknowledging the approval or denial of the organization as a QCO or a QFCCO will be issued. Please see our webpage concerning letter rulings for more information at <https://www.dor.ms.gov/lawsregulations/tax-guidance#four>.

The MDOR maintains a webpage that lists all of the approved QCOs and QFCCOs located at <https://www.dor.ms.gov/individual/qualifying-charitable-organizations>.

The organization must notify the MDOR of any changes that may affect any of the qualifications above.

#### **How to Apply for the Credit**

A taxpayer must apply to be pre-approved for allocation credits with the MDOR using the 2022 Application for Allocations to Qualifying Charitable Organizations or Qualified Foster Care Charitable Organizations located at <https://www.dor.ms.gov/individual/qualifying-charitable-organizations>. A letter response to the application will be sent within 30 days after receipt.

If the contribution has not been made at the time of the application, the MDOR will issue an allocation letter requesting that the applicant provide documentation that confirms the contribution has been made (i.e. a letter or receipt that includes the name of the organization, date of contribution, amount of contribution, and a statement of whether any goods and/or services were provided in exchange). The applicant has 60 days from the date of the allocation approval letter or by December 31 of the current year, whichever occurs first, to make the contribution. If the contribution is not made or if the MDOR has not been notified within a specified timeframe, the credit amount allocated will be cancelled and made available for allocation to other taxpayers.

If the contribution has been made, please attach the documentation from the QCO or QFCCO verifying the details of the contribution with the application.

Once both the application and documentation have been received, the Department will issue an allocation approval or denial letter.

Within thirty (30) days after the receipt of an application, the MDOR shall allocate credits based on the dollar amount of the contribution and available credits. If the requested credit amount is not available to be allocated, the MDOR shall allocate any available credits at the time of the application and notify the taxpayer if the remaining credit amount becomes available. Documentation of the contribution must be provided by the taxpayer to the MDOR within sixty (60) days of the date of certification of the allocation of credits if it was not provided with the original application. Documentation consists of a letter or receipt that includes the name of the organization, date of contribution, amount of contribution, and a statement of whether any good and/or services was provided in exchange. If the MDOR does not receive documentation of the contribution within sixty (60) days, the allocation will be cancelled and the amount becomes available to allocate to other taxpayers.

Pass-through entities awarded credits must provide the MDOR with a schedule of amounts allocated to its members by the end of the taxable year.

All contributions must be completed during the calendar year in order to be claimed on the return.

### **How To Claim the Credit**

When filing the state income tax return claiming the credit, the individual should attach the Mississippi Tax Credit Summary Schedule showing all credits taken and any credit carryforward and indicate the name of the qualified organization. The QCO tax credit code is 34 and the QFCCO tax credit code is 35.

*This bulletin was last updated 10-26-2021.*